

Markt Lytle

Indiana State Representative, District 69

How did we get here?

A brief history of Indiana's finances

After the longest economic expansion in the history of our great country, a national recession that began in January of 2001 has brought Indiana to its financial knees. During the years when Indiana had the second largest surplus in America, we legislators substantially cut our taxes. In a bipartisan way, we turned over 3 billion dollars in tax cuts between 1995 and 1999.

Those of us who consider ourselves fiscal conservatives returned those tax dollars to you gladly, although I personally would have preferred to keep a bigger balance in reserves. We didn't, though, and now we are faced with two years worth of a slow national economy and increased federal mandates on state governments. As a result, Indiana must reduce spending or raise taxes. Forty-five states are now faced with budget shortfalls and Indiana is among them. Last July Governor O'Bannon ordered \$113 million in one time cuts in an effort to address the growing budget deficit. The governor made another round of cuts totaling \$949 million this year, but our state was still in the red.

The combination of tax cuts and a slow national economy was exacerbated by September 11. Businesses began cutting jobs, consumers spent less, the stock market dropped and state revenues fell 5 percent below projections.

To deal with the financial shortfalls, Governor O'Bannon called a special session to raise taxes. Unlike the federal government, Indiana cannot run a deficit. We must have and always have had a balanced budget. The result of the most recent special session was a permanent increase in our riverboat, sales, gas and cigarette taxes which may only offset property tax increases on a temporary basis. I wanted to see longer term and more finite solutions, so I voted NO on HB 1001.

45 states are now faced with budget shortfalls...

Special session ends

Lytle cannot support tax, budget plan; votes no



Summer, 2002

Dear Friend:

While the news is dominated by the passage of House Bill 1001 during the 2002 Special Session, I voted "no" on this bill and continue to have serious reservations about it.

One of my biggest disappointments with HB 1001 was that it did nothing to fund rural economic development and assist the tobacco farmers. During a time when we are facing a national recession, I think it is critical to invest in communities like ours for business and community development.

I am also disappointed in the way that HB 1001 funded the elimination of the inventory tax. I supported that step, but the bill did it in a way that requires local governments to foot the bill rather than the state. Cities and towns may struggle to make ends meet without the inventory tax revenue, and could be forced to raise income taxes or property taxes. Any tax cuts that are made at the state level could be offset by local tax increases, making them less beneficial.

Another problem that I had with HB 1001 was the restriction that it placed on a local government's control over money generated by revenue sharing. Under HB 1001, there are now very specific initiatives toward which that money must be directed.

One of my biggest concerns personally is that this bill did nothing for the employees at the Madison or Muscatatuck State Hospitals. Those employees have either lost their jobs or have committed to staying on to help at the facility until its closure and I was hopeful that we could have offered some additional compensation or severance package to them for their service.

I was completely supportive of lowering property taxes for individuals, farmers, and senior citizens, but HB 1001 gave utilities the largest property tax decrease of anyone. In fact, utilities in this area will see a decrease between 32% and 35% on their tax bills while



Rep. Lytle discusses legislation with Rep. Bob Bischoff (D-Lawrenceburg).

individuals, farmers and businesses statewide will only receive an average decrease of 14%-16%. This is not the kind of tax restructuring that I felt obligated to pass.

There are other aspects of this bill that caused me great concern. For example, the increase of the cigarette and gas taxes may be necessary to address the current budget situation, but it will put southern Indiana at a competitive disadvantage with other states.

I certainly believe that the state's financial position needs our attention. Governor O'Bannon cut nearly \$1 billion in spending, and revenues were still not keeping up enough to protect education, health care for the elderly, and public safety. Without a doubt, action was needed, and I was certainly prepared to take it.

In the end, though, HB 1001 was a proposal from the Senate Finance Chairman Larry Borst (R-Greenwood) which increased individuals' tax burdens by about \$713 million and cut businesses' taxes by \$725 million. This bill was presented to us with a day left in the session and we in the House of Representatives were told we had two options: to take it or leave it.

We should have taken more time to make this tax restructuring bill a fairer one and I voted no because we didn't. I owed at least that much to the taxpayers of my district and the citizens of Indiana.

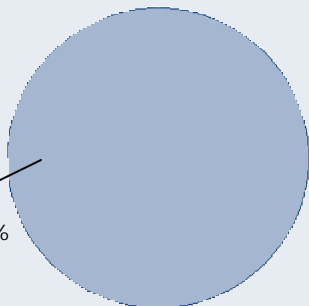
Sincerely,

Distribution of the new tax increases

Sales tax

1% increase effective 12/1/02

Property tax replacement, 100%



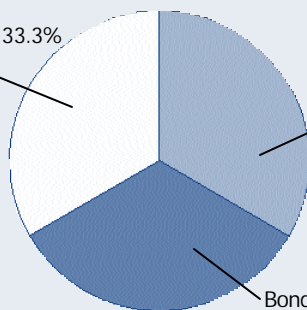
Gas tax

3 cent increase effective 1/1/03

Local government, 33.3%

State highways, 33.3%

Bonding for INDOT projects, 33.3%



Cigarette tax

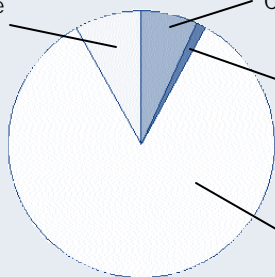
40 cent per pack increase effective 7/1/02

Police and Fire Pension Relief Fund, 9%

Cigarette Tax Fund, 6%

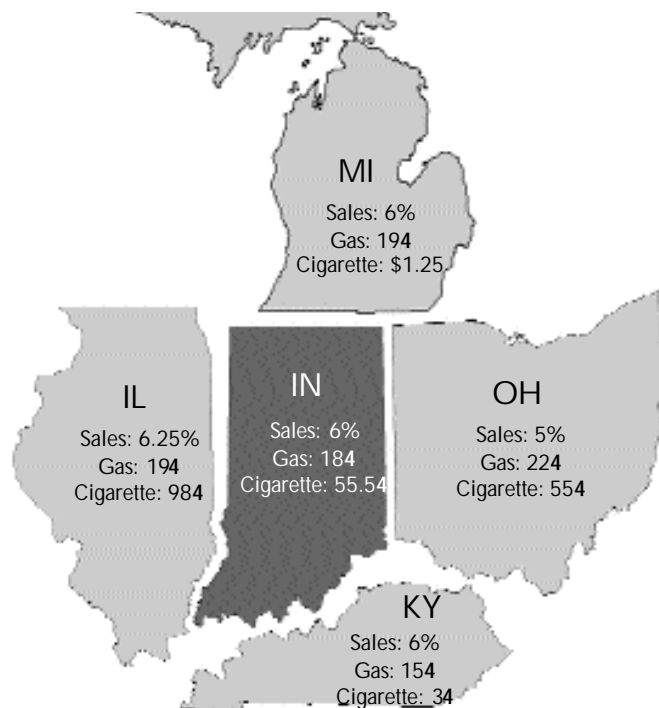
Mental Health Centers Fund, 1%

State General Fund, 84%



How does Indiana rank with its neighbors?

Tax rates in surrounding states



Data from the Federation of Tax Administrators

Spending in surrounding states

	State Revenue (tax collections)	National Rank in Spending (per capita)
Ohio	\$55.3 billion	20th
Michigan	\$49.5 billion	18th
Illinois	\$48.5 billion	36th
Kentucky	\$35 billion	21st
Indiana	\$20.5 billion	47th

Data from the US Census Bureau, 2000 State Government Finances



Representative

Markt Lytle

200 W. Washington St.
Indianapolis, IN 46204-2786
H69@in.gov

Prsrt Std
U.S. Postage
PAID
Indiana House of
Representatives